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Mr. Bauer Jr., Moyer
Department of Commerce

Robert S. Wright
Department of State
Office of East-West Trade
Delegation of Authority and COTCII List Review

Mr. McPhee's June 7 letter to Mr. Greenwald suggested we explore the points mentioned in the attachment to his letter. Part II of that attachment raised several points on State's Proposal for a delegation of authority to the USDeb in Paris on exception cases and procedural matters and for informing the USDeb of plans to submit COTCII List revision proposals before October 15, 1967.

During our telephone conversation yesterday, we agreed to meet to discuss this matter in the near future at your convenience. In the meantime, perhaps the following observations will clarify what we had in mind.

Some of the comments suggest that Commerce interpreted the State proposal as meaning that the USDeb should approve all exception cases for Eastern Europe (except for Category A items) and that Washington review of these cases should be discontinued. This was not our intention. We would not expect the USDeb to approve all cases, although recent history indicates that the U.S. will probably have no objection to a majority of such cases. Rather do we wish to discontinue Washington review. We plan to continue to send to Commerce all documents and other measures immediately on receipt. If Commerce, on receiving a case, believes it important that the USDeb, before taking action, be provided with information it does not already have, we shall be happy to transmit this information to Paris. In any event, we desire to continue to receive technical task group reports.

The delegation of authority would not modify Commerce's regulations on reexports of U.S.-origin commodities and technical data and on exports of products made with U.S.-origin technology and incorporating U.S.-origin parts. COTCII is not a particularly useful forum to develop information relating to these controls since the U.K., at least, refuses on principle to police U.S. controls. Accordingly, we shall continue to rely on Commerce to advise us when problems of this sort arise and to expedite resolution of related U.S. cases pursuant to DA-4129 of November 30, 1966.

USDeb will not be operating in a vacuum. My office will continue to keep in close touch with Paris. By giving the USDeb greater

State Dept. review completed

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- 2 -

responsibility we anticipate more research being done in Paris and more and earlier questions being put to applicants. In this way additional background will be available in Washington at the time cases are reviewed here.

In the proposal to delegate authority on procedural changes, Comexco expresses concern that some changes could lessen the effectiveness and constitution of the embargo without affecting its coverage. It was our intention that the USDCI should continue to refer to Washington proposals which would review either the substance or the effectiveness of the embargo.

In List Review plans, as you point out we have advised the USDCI that the second quarter 1968 is the earliest date that will enable adequate preparation. At the time this message was sent, it was understood that this was without prejudice to earlier action on the type of unilateral U.S. initiative we described in paragraph 3 of our April 13 draft. We, therefore, would appreciate an early date coverage comment on the details set forth in WIE I D-144 of May 31.

cc: Mr. Theodore L. Thiel

E/ENR:WARoot:sb
6/14/67

cc: Defense - Mr. Barber
AEC - Mr. Kratzer
CIA - Mr. Morell

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